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GENERAL

1. Soviet official hints at possible Chinese counteraction in Indochina:

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A member of the Soviet UN delegation in a conversation with an American official on 15 April suggested "on a personal basis" the possibility of a compromise settlement in Indochina similar to the Korean armistice,

under which fighting would cease and each side would retain possession of the areas it now holds. He said the Chinese were sincere in their desire to have a period of peace and were prepared to "accept a compromise," but that just as in Korea, when MacArthur approached the Yalu River, they "could not be blind" to the threat of French and now American action.

Comment: This is the most specific Communist suggestion to date on cease-fire terms. Soviet diplomats have twice previously suggested that partition would meet China's security needs and that the Korean precedent might be followed in Indochina.

The hint of possible Chinese counteraction is much less threatening than statements by the Chinese Communists prior to their intervention in Korea, but it is somewhat stronger than the cautious Soviet and Chinese press statements that United Nations intervention in Indochina would end in "defeat for the aggressors." While these statements may eventually culminate in an explicit warning such as Chou En-lai's in October 1950, it appears that Moscow and Peiping are not contemplating any major military moves in Indochina at this time and that their future actions will depend primarily on the course of the Geneva negotiations.

2. Indian policy announcement on Indochina reported in preparation:

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Ambassador Allen believes that Prime Minister Nehru, in a forthcoming statement to the Indian parliament, may call for a united front of "independent" Asian nations

as an alternative to what he will term the "Western-dominated front" proposed by the United States. This is also likely to be Nehru's chief theme at the Colombo meeting of Asian prime ministers, which will take place simultaneously with the Geneva conference.

The Australian high commissioner in New Delhi understands that Nehru's statement will be based on a policy paper now being prepared, apparently by V. K. Krishna Menon.

Comment: A policy statement drawn up by Menon, India's chief UN delegate, would almost certainly have strong anti-American overtones. He would be the logical person to handle this question for Nehru, [redacted]

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3. India reported pressing Argentina to request UN session on H-bomb:

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[redacted] An official of the Indian embassy in Buenos Aires told [redacted] on 15 April that his government had obtained the support of 28 countries for a special UN session on the hydrogen bomb. He added

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that it was trying, by holding out the possibility of an Indian purchase of 3,000,000 tons of wheat, to induce Argentina to request such a meeting.

The Latin American countries mentioned as supporting the Indian proposal are Argentina, Chile, Ecuador, Guatemala, Mexico, Uruguay, and Venezuela.

Comment: An Indian proposal now before the UN Disarmament Commission includes provisions concerning the hydrogen bomb. This is the first indication, however, that India is seeking a special General Assembly session to discuss it. Convocation would require 31 votes.

Indian pressure influenced Argentina's vote on at least one previous occasion, in January 1954, on the question of recalling a session on Korea. Argentina's financial difficulties have been aggravated by its inability to dispose of agricultural surpluses, which now include about 3,000,000 tons of wheat. India is a major customer for Argentine wheat, but this amount far exceeds its immediate requirements.

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6. Dien Bien Phu air supply threatened:

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Commissioner General Dejean told Ambassador Heath on 16 April that continued Viet Minh occupation of entrenchments across the landing

strip at Dien Bien Phu would greatly constrict the drop area for resupply. In response to expressions of gloom by Dejean over the "deteriorating situation" at the fortress, Heath suggested a French attack against the rear of the Viet Minh. Dejean said the French already had such a maneuver in mind and had moved four battalions from northern Laos to a point near Dien Bien Phu. He feared, however, that the enemy was alert to this and he was not optimistic that such an attack could be carried out.

Comment: The accuracy of air drops at Dien Bien Phu has been hampered heretofore by enemy antiaircraft, which forces planes to high altitudes, and by dropping areas that were already very small.

NEAR EAST - AFRICA

7. Iranian officials find initial oil consortium proposals unacceptable:

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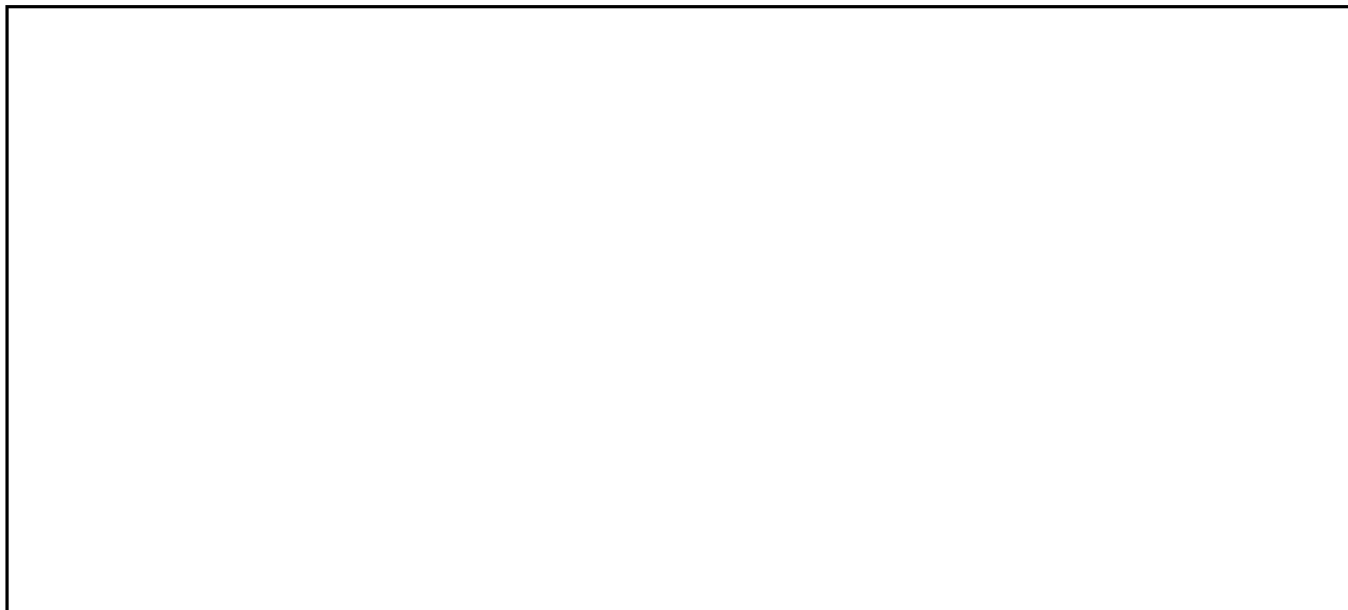


Foreign Minister Entezam and Finance Minister Amini told Ambassador Henderson on 15 April that the memorandum presented to them by the oil consortium the previous day was unacceptable to Iran. They were extremely discouraged and considered the situation grave. They stated that the volume of oil to be produced--30,000,000 tons by the end of the third year--was too small and insisted that Iran should have at least as much output as other Middle East producers.

The officials also objected to the vagueness of the proposed 50-50 profit-sharing formula and expressed belief that the consortium intended to manipulate the price of Iranian oil before determining the profits to be split.

Comment: One of the obstacles to satisfactory negotiation of the oil dispute is Iranian officials' lack of knowledge of international oil pricing and marketing procedures. Although a full discussion may overcome these particular objections, more difficulty can also be expected on the management problem as well as on the question of the duration of any agreement with the consortium.

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